

**Financial crisis in States**

2499. SHRI SANJAY RAUT: Will the PRIME MINISTER be pleased to state:

(a) whether it is a fact that various State Governments are unable to spend much on social and infrastructure development of their respective State as they are facing acute financial crisis;

(b) if so, Government's reaction thereto;

(c) whether Government are considering any structured and transparent approach to lessen the burden to debt on various States so they can increase their expenditure and investments on infrastructure and social sectors like power, irrigation, roads, tourism, rural development etc.;

(d) if so, the details thereof; and

(e) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF PLANNING (SHRI M.V. RAJASEKHARAN): (a) and (b) No, Sir. Does not arise.

(c) to (e) Yes Sir, In order to lessen the debt burden of the States, they have been provided with incentives to enact Fiscal Responsibility and Budget Management (FRBM) Act with specific annual targets with a view to eliminating the revenue deficit by 2008-09 and reducing fiscal deficits based on a path for reduction of borrowings and guarantees. Enacting of FRBM Act on stipulated lines makes a State eligible for debt relief. The Central loans to States contracted till 31.3.2004 and outstanding on 31.3.2005 are to be consolidated and rescheduled for a fresh term of 20 years resulting in repayment in 20 equal instalments at a lower interest rate of 7.5%.

A debt write-off scheme linked to the revenue deficit of States has also been envisioned. Under the scheme repayments due from 2005-06 to 2009-10 on Central loans contracted up to 31.3.2004 and recommended to be consolidated, will be eligible for write-off.

**Initiatives for north-east in eleventh plan**

2500. SHRIMATI SYEDA ANWARA TAIMUR: Will the PRIME MINISTER be pleased to state?

(a) whether it is a fact that the North-East would get some special incentives in the Eleventh Plan which is going to begin from the next fiscal year; and